

Portability Decision Guide for Employees Who Move From Civil Service to Army NAF Employment



A summary of information to consider when choosing between FERS/CSRS and Army NAF retirement plans when you are given a portability election under Public Law 101-508.

September 2005

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Portability Decision Guide for Employees who Move from Civil Service to Army NAF Employment

What is “Portability”?

“Portability”, as used by benefits professionals, refers to the ability to retain certain benefits when you move between jobs.

Within the federal government, portability refers to the ability of employees participating in a retirement program to continue participating in that program when they move to a new job. The law that established portability of retirement benefits also provided for credit toward leave accrual, reduction in force, and other non-retirement benefits under some limited circumstances.

Am I eligible for portability?

The law provides two different eligibility standards for two different types of benefits—retirement and other benefits.

The portability rules allow any civil service employee who takes a NAF job within a year after leaving civil service to continue their civil service retirement plan. Under the same law, any Department of Defense (DoD) or Coast Guard (USCG) nonappropriated fund (NAF) employee who takes a civil service job within one year after leaving NAF employment to continue participation in their NAF retirement plan.

The portability rules require that any Department of Defense (DoD) civil service employee who takes a DoD NAF job within 3 days after leaving civil service employment be given certain additional benefits based on their civil service. Among those benefits are leave transfer, service credit for accrual of annual leave, and others.

Non-retirement benefits are automatically given to you as a result of a qualifying move. The choice you must make affects your retirement coverage, and this guide is focused on helping you with that choice.

Important Rule: If you move between any federal civil service job (regardless of agency) and a NAF job with a break in service of 1 year or less, you are required to choose between staying in your civil service retirement program or changing to the NAF retirement plan.

Is portability mandatory?

If you move between retirement-covered jobs in civil service and NAF, you are

required to make a choice about which retirement system you want to participate in. You can choose to remain in your civil service retirement plan or to participate in the NAF retirement plan.

Important Rule: Portability elections are time-limited, one-time, irrevocable choices. In authorizing employees to choose between retirement plans, Congress required that the choice be a one-time only opportunity, that it be made with 31 days after the move, and that it be a permanent (“irrevocable”) choice. Once you have elected to stay in a retirement program, you will be in that program for the rest of your federal career.

These requirements all provide stability to the retirement programs, allowing them to plan ahead and to insure sufficient funds are available to pay you when you retire.

Which retirement plan is better?

The short answer is that NAF retirement with 401k and the FERS retirement with TSP are very comparable for most employees. However, a lot goes into this “comparability” assessment, so we will provide some details on the various plan provisions.

Both FERS and the NAF retirement programs have three elements:

- a. a pension, or monthly payment after you retire,
- b. a defined contribution plan (401k or TSP), and
- c. social security.

Pension (also known as an “annuity”)

Both FERS and Army NAF pay a pension (monthly benefit for life) based upon four separate factors:

- a. Your years and months of service while participating in retirement.
- b. The “Hi-3” earnings, or your average earnings during the 36 consecutive months of highest salary or earnings.
- c. The benefit factor, or the percentage of your Hi-3 paid to you for each year of creditable service. The benefit factor for FERS is 1.0% per year of service and 1.1% for every year if you attain 20 years participation. The benefit factor for Army NAF is 1.2% per year of service up to 15 years, then 1.6% per year, thereafter.
- d. Your age at the time of retirement. Both FERS and Army NAF consider “normal” retirement to be age 62.

There are a number of special provisions which affect your actual retirement benefit. For example:

- a. Under FERS, you may receive 1.1% per year if you retire after age 60

- b. with 20 or more years of service.
- c. If you retire prior to age 62, your benefit may be reduced for each year you retire “early”. This reduction is needed to fund the extra years benefits will be paid to you. For example, if you retire at age 58, your benefit will be reduced for the 4 years between age 58 and 62. Under FERS, the reduction is 5% per year, or 20% for four years. Under NAF, the reduction is 4% per year, or 16% for four years.
- d. If you remain with FERS and meet certain minimum service levels, you may be able to retire prior to age 62 with no reduction for age. If you have a total of 30 years covered service, you may retire at any time after your 55th birthday with no reduction; if you have 20 or more years, you may retire at any time after your 60th birthday.
- e. Both FERS and Army NAF have retirement incentives which can be used to help manage the workforce. These include the Voluntary Early Retirement Authority (VERA) and the Voluntary Separation Incentive Program (VSIP). If you qualify for VERA or VSIP, you will be provided additional benefits. Army NAF also has a discontinued service retirement (DSR) if your position is eliminated for business reasons.
- f. Neither the NAF plan nor FERS considers lump sum annual leave or overseas allowance (living quarters allowance, post allowance, etc.) in the calculation of the annuity.
- g. There are special retirement programs under FERS such as law enforcement, air traffic control, and firefighters; if you are to be covered by any special retirement provisions, you should consult your civil service retirement specialist or the Army Benefit Center—Civilian for information and assistance.

As you can see, it is difficult to project and compare two different pension plans, because circumstances make a large difference in your actual benefits. Generally, the Army NAF program has a higher pension benefit than FERS, but this advantage is offset by the higher employer matching contributions to TSP, as discussed below. (See Comparison at **Appendix G**).

Defined Contribution (TSP or 401k) Plans

The FERS retirement program has a defined contribution plan known as the Federal Employee Thrift Savings Program, or “TSP”. “Defined contribution” is a term used to describe a plan where the amount of money received by the employee is determined by the amounts contributed by the employee and his/her employer, along with investment earnings. Unlike a pension, or “defined benefit” plan”, which must pay you as long as you or your survivor are entitled to a benefit, the “defined contribution” plans are a specific amount of money, much like a savings account.

With TSP, you can save from 0-15% of your earnings (subject to an annual \$

maximum) without paying federal or state income taxes (you still pay Medicare and social security taxes) until the money is withdrawn. Depending on your level of savings, your employer will contribute from 1% - 5% of your salary to that account. The employer contributions do not “vest”, or become your money, until you have been employed and covered by TSP for three years. If you stop participating in TSP before three years, the employer contributions are forfeited.

The NAF retirement program has a defined contribution program known as a “401(k)” plan. The name “401k” refers to Section 401(k) of the Internal Revenue Code, which authorizes the plan. With 401k, you can save from 0% -100% of your earnings (subject to an annual \$ maximum) without paying federal or state income tax until the money is withdrawn. Depending on your level of savings, your employer will contribute from 1% - 3% of your salary to that account. The employer contributions do not “vest”, or become your money, until you have been employed in a regular NAF position for three years; if you leave NAF employment or become a flexible employee before you have been employed three years, the employer contributions are not paid out to you.

Social Security

Social security coverage is exactly the same whether you participate in NAF retirement or FERS. For additional information on Social Security benefits, see www.ssa.gov.

Retirement Program Comparison

The NAF retirement program with 401k and the FERS with TSP are structured differently, but the total benefit is approximately the same for most employees. The NAF pension plan pays a better benefit than FERS for the same length of service, whereas the maximum employer match to 401k is less (3% of salary for 401k vs 5% for TSP). For most employees, the gain from having all retirement in one system is greater than any benefit you may receive by splitting your time between two retirement systems.

Other Issues to Consider

There are also “marginal losses” that occur if you choose to move to NAF after participating in the civil service plan. These include:

TSP: If you have less than three (3) years total civil service at the time you resign and move to NAF retirement, you will forfeit the employer’s contributions to your TSP. You can determine the amount of this loss by reviewing your most recent TSP statement.

FERS Retirement (unvested): If you have less than five (5) years participation in FERS at the time you resign and move to NAF retirement, you have no entitlement to a pension from FERS. Because FERS retirement benefits are based on the number of years of service (as well as Hi-3 salary and age), you will lose credit for any service you have accrued under FERS. This amounts to 1.0% of your final Hi-3 for each year of participation, *for the rest of your life*. As an example, 1 additional year of service for an employee retiring from a \$60,000 high-3 salary would mean \$600 per year for life. But, if you do choose NOT to continue participation in FERS, and you have less than 5 years participation, you may request a refund of your retirement contributions and interest. ***You may not move your FERS retirement service to a NAF Retirement Plan.***

FERS (vested): If you have 5 or more years participation in FERS at the time you resign and move to NAF retirement, you are entitled to an immediate or deferred annuity (as applicable). The amount of that annuity will depend on your age at the time you elect to receive it, as well as your Hi-3 salary and length of service. However, your pension will only be based on your service while participating in FERS, so NAF time will not be creditable if you do not continue in FERS while working for NAF. Also, your Hi-3 will be based only on civil service earnings, so your later wages (which are presumably increasing over time) will not be considered in computing your benefit.

Retiree Medical and Life Insurance (vested): Retiree insurances will be supplied by the system you retire from. If you remain in FERS or CSRS as a non-appropriated fund (NAF) employee, your retiree insurances will be provided by NAF under the DoD Health Benefit Plan (DoDHBP) and the Army NAF Group Life Insurance Plan. The DoDHBP requires 15 years participation and an immediate annuity request. The Group Life Insurance Plan requires participation in the plan for the 5 year period immediately preceding retirement and an immediate annuity request.

If however, your civil service position is involuntarily converted to NAF, or you voluntarily convert under the Uniform Funding and Management (UFM) initiative, eligibility for retiree medical under the DoDHBP will require DoDHBP participation for the 5 year period immediately preceding retirement and an immediate annuity request.

If you are vested in FERS and choose not to “port” and elect to participate in the Army NAF Retirement Plan, your FERS/CSRS retirement benefit may be deferred until you reach normal or early retirement eligibility. Retiree medical/life benefits are not available from FEHBP and FEGLI under a deferred annuity. Your participation time in the FEHBP and FEGLI, will count towards the qualification time to meet Army NAF retiree insurance benefits. Additionally, if you request a refund of your FERS or CSRS retirement contributions, you are not eligible for FEHBP or FEGLI retiree benefits. (See **Appendix D**).

If I decide to continue FERS retirement, what happens?

When you are in-processed to your NAF position, you should be given a portability election form (RI 38-144, **Appendix E**). You can make your election any time within the first 31 days after you are hired, but it is best if you can make the decision quickly. If you fail to return the election within 31 days, you will be required to participate in NAF retirement any time you are working for NAF, and you will not be given another opportunity to stay in FERS while working for NAF.

You will receive a Notice of Personnel Action (DA Form 3434) soon after you in-process. Your notice should reflect FERS retirement and TSP. There should also be remarks regarding appointment under PL 101-508 and transfer of leave balances.

When your first LES arrives, it should reflect "Retirement" deductions of .8% of your salary and the amount you elected to contribute to TSP in the 401k/TSP column.

Your deductions for retirement and TSP will be sent to OPM, along with the applicable employer match. You will not see the "cumulative retirement" amounts on your LES because the pay system is not programmed to report those amounts. However, you will continue to receive quarterly statement on your TSP, and you may receive confirmation of your account by checking your TSP account online.

If I am a NAF employee participating in FERS, can I see my retirement information at the ABC-C website?

No. At present, there is no interface between the NAF payroll system and the Army civil service benefits program. We are working with the Army Benefits Center and the CHRA to develop an administrative system that gives better support to the NAF employees participating in FERS or CSRS. As a NAF employee however, you can view your other benefit information on the NAF Employee Benefits On Line system.

The best advice we can give right now is to contact the NAF HRO about retirement information, and they can obtain the most recent guidance from CHRA. Your NAF HRO can request retirement estimates and your actual retirement from the Army Benefit Center.

What if something goes wrong?

Portability is, administratively, very complex; frequently, deductions don't start, get stopped after they start, or are not the correct amount. This is an unfortunate fact of life in dealing with multiple pay and retirement programs.

Additionally, there is a wealth of portability information at the Portability link of the NAF Benefits website. www.NAFBenefits.com.

To deal with these problems, the NAF retirement program has established a Portability Project Office which can be reached by e-mail to larry.cochran@cfsc.army.mil or by calling 1-877-384-2340 or commercial 703-681-7262. We will work with you, and your servicing human resources staff, to resolve these problems as soon as we are aware of them.

APPENDIX A

Payout of Lump Sum Annual Leave

Applicable only to civil service employees separating to accept a NAF position with a break in service of 3 days or less.

Discussion: This is a recurring problem when a DoD civil service employee moves to a NAF position with a break in service of 3 days or less. Under the portability statute (5 USC 5551(a); 5 USC 6308(b); and 5 USC 6312) all annual, sick, and home leave balances must be transferred to the credit of the employee at the employing NAFI. However, failure to enter the correct code in DCPDS results in a payout of annual leave. When this happens, the employee is without access to the accumulated annual leave for 7 months or more and his/her income is overstated if the payout is not returned within the same tax year.

The coding instructions are available from www.chra.army.mil. At that site, select Guidance Memorandums, then look for CPOCMA Guidance Instruction 02-01, “Movements From Appropriated Fund (AF) to Nonappropriated Fund (NAF) Positions—Civilian Personnel Operations Center Management Agency (CPOCMA) Guidance Memorandum Number 02-01”.

For your convenience, a copy of CPOCMA Guidance Memorandum #02-01 is reproduced on the following page.

EXCEPTION: The Civil Service Retirement System uses sick leave balances over 80 hours as retirement credit. If the employee elected to retire from the CSRS and used the sick leave balance for retirement credit, the same sick leave balance cannot be transferred to NAF.

NOTE: Remember, the transfer of annual leave is required by law. If the leave balance is paid out in error, it must be corrected and collected from the employee. This may result in tax liabilities and significant inconvenience to the employee, so it is important to report any payout to the losing CPOC and payroll office as soon as possible.

The following is provided from: www.chra.army.mil, Select “HR Systems”, Select “Job Aids”, Select “Separations, NOAC 3xxx”, Scroll to:

Use of Payroll Gain / Loss Flag with Separation Actions:

- Within the Separation RPA family in DCPDS a DDF exists in Extra Information (Separation and Retirement DDF) that allows for entry of a gain / loss flag. In only a very small percentage of separation actions should a value be entered. The purpose for the field in separation actions is to document that an employee is separated from the agency roles and will be quickly rehired. When this condition is identified, the user would enter a value of “R” (Rehire) in the field notifying the payroll system that annual leave balances should not be paid out and that the retirement record remain open.

January 15, 2002

MEMORANDUM FOR CONUS CPOC Directors

SUBJECT: Movements from Appropriated Fund (AF) to Nonappropriated Fund (NAF) Positions – Civilian Personnel Operations Center Management Agency (CPOCMA) Guidance Memorandum **02-01**

In recent months, a number of employees who left Appropriated Fund positions to accept Nonappropriated Fund positions (without a break in service) erroneously received lump sum leave payments. Public Law 101-508 as amended by Public Law 104-106 requires that annual and sick leave balances must be transferred when an employee moves from AF to NAF or NAF to AF without a break in service.

The Request for Personnel Action (RPA) should indicate that the employee is retiring or resigning to accept a NAF position. We have asked the Nonappropriated Fund Personnel Policy and Program Division to remind NAF Personnel Offices to work with AF Civilian Personnel Advisory Centers to ensure that these actions are fully coordinated, that the RPA is properly documented and that the employee is advised that his/her sick and annual leave will transfer.

In processing these actions, Civilian Personnel Operations Centers should ensure that the "Reason for Separation" is given a value of 91 (Termination-due to conversion to NAF position) and the "Type of Pay Change" field must be coded "R" (Rehire - Person will be re-appointed shortly after separation). Both of these fields are located on the Separation and Retirement window under the RPA "Extra Information" button. When this code flows to Payroll on the Pay 500 action, it prevents the annual leave payout and halts the complete separation process. CPOCMA will modify the "Separations" MDCPDS job aid to include this information.

Additional information about AF/NAF Portability Issues is contained in a memo with that subject dated August 9, 1999. This memo may be found in the Army CPOL Reference Library under Army Messages and Memoranda in the "Benefits and Entitlement" category.

//orig signed//

Carolyn P. Prater

Acting Director, Civilian Personnel Operations
Center Management Agency

Copy Furnished:
Chief, PPD/NAF
OCONUS CPOC Directors

Appendix B

Links to Sites With Portability Instructions

The Army NAF Employee Benefits (877-384-2340) office operates a web site at www.nafbenefits.com. The portability home page contains a number of dynamic links to DoD and the other services that may be of value to you. You can access the portability page through www.nafbenefits.com

The Army Deputy Chief of Staff for Personnel (G-1), Civilian Personnel Policy (CPP) maintains a web site at www.cpol.army.mil. The NAF personnel policy division has provided information regarding the comparison of benefits provided by APF and NAF employment; that comparison is at <http://www.cpol.army.mil/library/naf/apfnafben.html>.

The Army Civilian Human Resources Agency (CHRA) operates a web site that provides information that is useful to the CPOCs Army-wide. For example, CPOCMA Guidance Instruction #02-01, which provides guidance on processing of APF employees accepting a NAF position, is contained at www.chra.army.mil under "Guidance Memorandums".

Civilian Personnel Management Service (CPMS), Office of the Secretary of Defense (OSD), maintains a website which has a portability guide at : <http://www.cpms.osd.mil/nafpdp/documents/PortabilityHandbook.pdf>. The guide contains valuable background information as well as references and processing guides for servicing CPUs.

The Office of Personnel Management (OPM) oversees the administration of the Federal Employee Retirement System (FERS) and other civil service retirement programs. Information regarding all civil service benefits programs is available at <http://www.opm.gov/retire/html/library/index.asp>, where you can select the program you are interested in.

Information from OPM on portability is available at: www.opm.gov/asd/htm/2002/02-102.htm. There are forms attached to the Benefits Administration Letter (BAL) and instructions on completing them. The BAL also refers to a prior letter, BAL 96-107, which explains portability eligibility in detail (noting that PL 107-107 eliminated the required for vesting). That BAL, and its counterpart for employees appointed prior to August 20, 1996, is available at <http://www.opm.gov/asd/htm/bal96.htm>.

OPM also issued Payroll Office Letters until 2000, when they became incorporated into the BAL system. Payroll Office Letter 96-06, "Elections of Retirement Coverage by Employees of Nonappropriated Fund Instrumentalities", is available at <http://www.opm.gov/asd/pdf/P-96-06.pdf>.

All Army employees participating in FERS/CSRS, including those currently working for NAF, should contact the Army Benefits Center, Civilian at www.abc-c.army.mil for information and instructions on retirement-related issues.

Appendix C

Questions and Answers

Portability seems like a lot of trouble. Is it really worth it?

For the extreme majority of employees, it is better to keep all retirement credit in one system, rather than move between two or more retirement programs during a career. This is explained on page 4 under “other issues to consider”.

Some employees may benefit from changing retirement systems. An employee eligible for an immediate, unreduced annuity from either civil service or NAF may (or may not) find that receiving the annuity while continuing full time employment may be better than earning additional retirement benefits. Each person should evaluate the value of either option and make up his/her own mind about what is best for them.

Can you provide more details on the meaning of “Portability”?

“Portability” is a term used by benefits professionals to describe the ability to move between employment systems without “losing” certain retirement benefits. Within the federal government, civil service employees can move between agencies and continue to participate in the same retirement plan.

Nonappropriated fund (NAF) employment is not considered to be Federal service for purposes of laws administered by the Office of Personnel Management (OPM), including federal retirement. NAF employee benefits, including retirement, health, and life insurance coverage, are not subject to requirements applicable to civil service positions. Therefore, unless specifically provided by law, NAF service is not creditable for purposes of civil service benefits, nor is service in an appropriated fund (APF) position creditable for purposes of DoD NAF benefits. (Title 5, United States Code (5 U.S.C.) 2105(c)).

In 1991, congress passed a law (retroactive to 1987) which allowed certain DoD and Coast Guard employees to move between civil service and NAF jobs without changing retirement systems. This guide provides information about those laws and regulations that provide service credit and other portability of benefits for DoD employees moving between NAF and APF civil service positions. While the same law applies to them, USCG employees are not discussed in this guide.

As it is used in this handbook, “Portability” refers to the opportunity for DoD employees to move between civil service and NAF positions without changing retirement systems. Additionally, if both the NAF and civil service positions are within DoD and the move does not involve a break in service of more than 3 days, there are a number of non-retirement benefits which are covered by “portability”.

What laws cover portability between NAF and civil service?

The Nonappropriated Fund Instrumentalities (NAFI) Employees’ Retirement Credit Act of 1986, Public Law (P.L.) 99-638, was the initial law to permit civil service retirement system credit for former NAF service. That law provides Civil Service Retirement System (CSRS) credit for service in certain morale, welfare, and recreation (MWR) positions after June 18, 1952, but before January 1, 1966.

The Portability of Benefits for NAF Employees Act, P.L. 101-508, was enacted in 1990 to provide portability of pay and benefits for employees moving between NAF and APF positions. Under the Portability Act, employees who move with a break in service of no more than three days between DoD NAF and DoD APF positions may be eligible for pay, leave, reduction-in-force, and retirement benefit protection.

P.L. 104-106, enacted in 1996, expanded the authorities provided by the Portability Act, primarily in the area of retirement coverage elections.

The National Defense Authorization Act for Fiscal Year 2002, P.L. 107-107, further expanded the retirement election opportunity to make it easier for employees to continue retirement coverage after moving between NAF and APF positions.

If I am considering a move between NAF and civil service, what retirement benefits am I eligible to receive?

Under current retirement portability law, eligible employees who move with a break in service of no more than one year between regular DoD NAF positions and retirement covered civil service positions in any agency may elect to continue retirement coverage in the losing employment system's retirement plan. If you are a civil service employee in CSRS, CSRS Offset, or FERS, and you move to a NAF position within 1 year, you may continue to participate in your civil service retirement program; if you are NAF and move to a civil service job, you can remain in NAF. It is your choice whether or not to remain in your retirement program, but if you meet the portability requirements, you MUST make a choice within 30 days after being hired into a NAF or civil service job.

I am getting different stories on what I am eligible for if I move between NAF and civil service. One person says one year, one says it has to be within 3 days, another says I can only move within DoD. What's the straight answer?

Much of the confusion about portability comes from the changes that have occurred in the portability laws. People who moved between 1987 and 1996 have different rules than those who moved between 1996 and 2001, and still another set of rules applied after 2001. The rules that apply to you will be those in effect at the time of your move.

A brief chronology of the laws on portability may help explain how and why these rules have changed.

The Nonappropriated Fund Instrumentalities Employees' Retirement Credit Act of 1986, P.L. 99-638, was a first effort to consolidate retirement credit for employees who had moved between NAF and civil service. It provides CSRS credit for former NAF service, but requires that NAF service be in certain MWR positions after June 18, 1952, and before January 1, 1966. Covered employees were primarily Army NAF employees in recreation, youth activities, and arts and crafts positions who were not covered by a NAF retirement system.

What we know as "the" portability statute was the Portability of Benefits for NAF Employees Act of 1990, P.L. 101-508, Section 7202. The act provides pay and benefits protection for moves between DoD NAF and DoD APF positions on or after January 1, 1987, without a break in service of more than 3 days. The "non-retirement" benefits of the act have not changed since 1991, and still require that the move be within DoD and within 3 days.

P.L. 101-508 permitted employees to remain in their civil service or NAF retirement plan, if vested (vesting generally requires five years participation in retirement plan). Like the non-retirement benefits, retirement portability initially required that the move be within 3 days and within DoD. All three requirements for retirement portability — vesting, remaining within DoD, and moving within 3 days — have been modified or eliminated in later amendments to the law.

P.L. 104-106, Section 1043, expands the 1990 Portability Act retirement election provisions to cover moves to civil service positions outside of DoD and to cover moves on or after August 10, 1996, with a break of not more than one year. This is a major expansion of opportunities for employees to move between the systems without losing retirement benefits. This expansion of benefits allowed employees to move

between NAF jobs and all civil service positions—not just DoD—while continuing their retirement under one retirement system. It also expanded the eligibility for a retirement election to 1 year, a provision which helped military spouses and other who were relocating to find a new position without changing retirement systems.

This law did not change eligibility for non-retirement benefits, and it still required employees be vested in the losing employment system's retirement plan in order to have their choice of retirement plans.

P.L. 107-107, Section 1131, permits employees moving between NAF and civil service positions on or after December 28, 2001, to continue coverage in the retirement plan that covered them immediately before the move, even if they are not vested in that retirement plan. With this change, employees no longer had to work 5 years to take advantage of portability; they were allowed to move between systems at any time. Employees still must move between retirement-covered positions with a break of not more than one year, and the qualifications for non-retirement benefits did not change.

What are the “non-retirement” portability benefits?

The following information is extracted verbatim from the DoD Portability Handbook, July 2004. Questions regarding application of these requirements should be directed through human resources channels for clarification.

Leave Accrual and Accumulation. Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit for annual leave purposes. Annual, sick, and home leave balances transfer to the gaining employment system; employees may not receive lump sum payment for accumulated/accrued annual leave. (5 U.S.C. 5551(a); 5 U.S.C. 6308 (b), and 6312)

Initial Pay Setting. Employees who move involuntarily between DoD NAF and DoD APF positions without a break in service of more than three days receive pay protection at the level of their last basic rate of pay. The employee's highest previous rate may be considered in voluntary moves. Grade and pay retention provisions may apply where an involuntary move results in a reduction. (5 U.S.C. 5334 (f); 5 CFR 531.206, 536.103 and 536.104; DoD 1400.25-M, Subchapter 531, SC531.2.4, and Subchapter 1405, Appendix 1, SC1405.AP1.5.2.4)

Step Increases. Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit towards waiting periods for pay increases. (5 CFR 531.406 (b) (4))

Time-In-Grade. DoD NAF service is creditable towards civil service time-in-grade requirements. (5 CFR 300.605)

Severance Pay.

Determining Creditable Service: Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit for severance pay purposes. (5 CFR 550.705 and 550.708)

Limitation on Payment of Severance Pay: Employees who are entitled to NAF or APF severance pay are prohibited from receiving severance pay if they move between DoD NAF and DoD APF positions without a break in service of more than three days. Employees who are entitled to APF severance pay and who move to DoD NAF positions without a break in service of more than three days may be eligible to have the APF severance pay resumed if they are later involuntarily separated from the NAF position. (5 U.S.C. 5595 (h); DoD 1400.25-M, Subchapter 550, SC550.3.5.1, and Subchapter 1405, Appendix 5, SC1405.AP5.7)

Career Tenure. An employee whose DoD NAF position is brought into the competitive service is eligible to have NAF service credited towards career civil service tenure. Employees hired under the authority of the DoD and OPM Interchange Agreement also receive credit for NAF service towards civil service career

tenure. (5 CFR 315.201 (b)(1)(vi); a copy of the Interchange Agreement is available in DoD 1400.25-M, Subchapter 1403, Figure 1403 –1.)

Travel, Transportation, and Relocation. Employees who move between DoD NAF and DoD APF positions without a break in service of more than three days are authorized expenses and allowances to the same extent and under the same conditions as transferred APF employees. (5 U.S.C. 5736)

Reduction-In-Force (RIF)/Business Based Action (BBA). Employees who move, on or after January 1, 1966, between DoD NAF and DoD APF positions without a break in service of more than three days receive service credit for civil service RIF or NAF BBA purposes. (5 U.S.C. 3502 (a)(4)(C)(ii))

What if I want to take a refund of my contributions and go into the retirement plan that covers my new job?

While you should be aware of the losses you will have from moving between the retirement systems, the decision is yours. Employees who move between DoD NAF positions and civil service positions in any agency without a break in service of more than one year may elect to continue coverage in that retirement system following the move. Alternatively, the employee may enter the gaining employer's retirement system with no service credit transfer. The full version of these rules are contained at 5 U.S.C. 8347 (q) and 8461 (n); title 5 Code of Federal Regulations (5 CFR), Part 847 and Part 1620, Subpart D)

Employees who remain in/move to the NAF retirement system are eligible to contribute to the applicable NAF 401(k) plan; employees who remain in CSRS or FERS are subject to Thrift Savings Plan (TSP) regulations. (5 CFR, Part 1620, Subpart D)

On or after December 28, 2001, employees who move between the civil service and NAF employment systems are not required to be vested in the losing retirement plan in order to continue participation in that plan. (5 CFR Part 847, Subpart B)

What if I don't want to continue my retirement, but would like to retire and start a "new" career?

A decision to retire simply means that you will receive an annuity from your "old" retirement system and earn credit in your "new" employer's retirement system.

If you do decide to retire from your present job and move to the "other" system, you are still eligible for a number of non-retirement benefits as long as the move is within DoD and within 3 days. You should discuss this with your human resources benefits counselor prior to making a final decision.

How do I get an estimate of my retirement or file for retirement if I am working for NAF and want to receive my FERS retirement?

It is not currently possible to obtain online information regarding your FERS retirement while working for NAF. However, your HRO can forward a request for an estimate or for your retirement to the Army Benefit Center, which will process your request.

We encourage you to allow up to 60 days for the estimate or retirement to be completed, so start early.

Appendix D

Portability and Medical/Life Insurance

Generally, portability of benefits does not affect your medical/life insurance coverage—you are covered by your current employer under the applicable medical and life insurance. For civil service employees, this is the federal employee health benefit plan (FEHBP) and government life insurance (GLI). For Army NAF employees, this is the DoD Uniform Health Benefit Plan (DODHBP) and the Army NAF Employee Group Life Insurance (NAF GLI).

However, certain special benefits situations are addressed by these plans in relation to portability of benefits.

Transitional Medical Insurance Coverage

Civil service employees moving to NAF positions are eligible for “first day” medical insurance coverage. NAF employees moving to civil service may experience a non-covered period as a result of FEHBP eligibility rules. If this occurs during a move covered by the portability statute, the DODHBP will extend coverage for the employee until the first day that employee could have been covered by FEHBP. If the employee has medical expenses during this “transitional” period, he/she should contact the Army NAF Employee Benefits Office at (877) 384-2340 or DSN 761-7262 to arrange for coverage of those expenses.

Retiree Medical and Life Insurance

If you are working for NAF at the time of your retirement, your retirement medical and life insurance coverage is provided by NAF. If you work for civil service at the time of your retirement, your medical and life insurance is covered by civil service. This coverage is very important to many NAF retirees because your employer continues to pay 70% of the premium as if you were still an active employee, and the civil service retirement plans pay a comparable amount if you qualify at the time of your retirement from a civil service position.

The retiree medical provisions of the Army NAF retirement program are covered by DoD regulations, which require that you be covered by medical insurance for at least 15 years while an active employee to qualify for retiree medical insurance. If you move between NAF and civil service with a break in service of less than one year, participation in both the FEHBP and the DODHBP may be credited to meet the participation requirements.

The retiree medical provisions of the FEHBP require that you be covered by medical insurance for at least 5 years to qualify for retiree medical insurance. Like the DODHBP, time in a NAF position prior to a portability move can be credited to meet this requirement.

There are some exceptions to the DODHBP requirement for 15 years coverage by medical insurance prior to retirement. These are:

- a. If you were covered by the NAF medical insurance program on 31 December 1999 and have continued coverage until the date of your retirement, you may be covered by the NAF plan provisions as of 31 December 1999; for Army NAF, this reduces the requirement to 5 years participation to qualify for retiree medical coverage.
- b. If you are involuntarily converted from civil service to NAF, you are only required to have 5 years active participation to qualify for retiree medical coverage.
- c. If you move from civil service to NAF under the Uniform Funding and Management (UFM) initiative, you are only required to have 5 years active participation to qualify for retiree medical coverage.

Regardless of which life insurance program is in effect at the time you retire, the minimum pre-retirement coverage period is 5 years.

Can I remain in FERS and participate in the NAF 401k program?

No. The legislation that authorized portability also requires that FERS participants be provided with TSP eligibility, and that NAF participants be provided 401k.

As explained in the basic decision guide, NAF retirement pays a slightly higher pension with a slightly lower employer contribution to the defined contribution (401k) plan. FERS pays a slightly lower pension than NAF, but has a slightly higher employer contribution to the defined contribution (TSP) plan.

When combined with social security, both programs provide approximately the same retirement benefit for most employees.

Appendix E

Election Form for Employees

Moving from Civil Service to NAF

Under Public Law 101-508

Election to Retain CSRS, CSRS Offset, or FERS Retirement Coverage As a Result Of A Move From A Civil Service Position To A NonAppropriated Fund (NAF) Position On or After December 28, 2001

Instructions: The Human Resources Office will complete Part 1 of this form and give it to the employee. The employee must indicate his/her election by signing in Part 3 and returning the signed form to the Human Resources Office on or before the due date shown in Part 1.

Part 1 - (To be completed by agency)

Employee's name (<i>last, first, middle</i>)	Date of birth (<i>mm/dd/yyyy</i>)	Social Security Number
Name of Civil Service Retirement Plan (<i>CSRS, CSRS Offset, or FERS</i>)	Due date (<i>mm/dd/yyyy</i>) Human Resources Office must receive election on or before _____	

I verify that in accordance with § 8347(q) and § 8461(n) of title 5 U.S.C., and OPM regulations at 5 CFR part 847, this employee is eligible to retain the civil service retirement plan identified in this part because he/she —

- (1) Has never previously had an opportunity to elect to retain that civil service retirement coverage; and
- (2) Has moved, on or after December 28, 2001, from a covered civil service appointment to a retirement covered NAF position without a break in service of more than 1 year.

Authorized signature	Date of move (<i>mm/dd/yyyy</i>)
Title	Date signed (<i>mm/dd/yyyy</i>)

Part 2 - Acknowledgement of Receipt and Notice of Effect of Failure to Elect

I understand that I am eligible to retain the civil service retirement coverage shown above. I acknowledge that the Human Resources Office has completed Part 1 of this election form and given it to me on this date. I understand that if I fail to complete Part 3 and return the completed form to the Human Resources Office before the close of business on the Due Date (shown in Part 1) I will automatically be considered to have chosen Option 2 in Part 3. I also understand that the option I choose below (or am automatically considered to have chosen) will restrict my retirement plan entitlement for the rest of my Government career and that I can never change this election regarding retention of civil service retirement coverage as a NAF employee.

Employee's Signature	Date (<i>mm/dd/yyyy</i>)
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Part 3 - Employee's Election (*Instructions to employee: Sign only the box for the option that you elect.*)

Option 1: I elect to retain coverage under the civil service retirement plan identified in Part 1 of this election form. I understand that because of this irrevocable decision, I will never be able to earn additional credit under any NAF retirement plan. I understand that regardless of future moves between NAF and civil service employment, breaks in service, and changes in retirement status, my retirement coverage will remain with the civil service retirement plan identified in Part 1 in accordance with the rules governing that system.

Employee's signature	Date (<i>mm/dd/yyyy</i>)
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Option 2: I do **not** elect to retain retirement coverage in the civil service retirement plan identified in Part 1 of this election form. Because I have made this decision:

- (1) I will enter a NAF retirement plan without receiving any service credit in the NAF retirement plan for time spent under that civil service retirement plan.
- (2) I will not be given another opportunity to retain coverage in that civil service retirement plan if I ever move from a civil service appointment to a NAF position in the future. However, if I move back to a civil service appointment, I will be subject to civil service retirement coverage (CSRS, CSRS Offset, or FERS) in accordance with the appropriate civil service coverage rules.
- (3) If in the future I move back to civil service employment without a break in service of more than 1 year, I will be given a one time opportunity (if I never before have had the opportunity) to elect to retain membership in the NAF retirement plan or to become covered by the appropriate civil service retirement coverage (CSRS, CSRS Offset, or FERS).

Employee's signature	Date (<i>mm/dd/yyyy</i>)
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(Instructions on the reverse)

Instructions for Completing Election Form RI 38-144
Election to Retain CSRS, CSRS OFFSET, or FERS Retirement Coverage As a Result
Of A Move From A Civil Service Position To A DoD or Coast Guard NonAppropriated
Fund (NAF) Position On or After December 28, 2001

The Human Resources Office should:

- (1) Complete Part 1 of the form and make a copy. The due date is 30 days after the date of appointment. (This time limit may be waived by the DoD or Coast Guard Component for employees who, despite due diligence, are prevented by circumstances beyond their control from making an election within the time limit.)
- (2) Give both copies of the form to the employee and instruct the employee to read and acknowledge receipt by signing Part 2 of one copy of the form.
- (3) Collect the copy of the form that the employee signed (with both Parts 1 and 2 completed) and file it on the left side of the Official Personnel Folder (OPF), or in some other temporary file. Keep it there until the employee makes an election, or the time limit for making an election expires.
- (4) If the employee makes an election by signing under either Option 1 or Option 2 in Part 3 of the form, mark the date you received the form. Photocopy the form. File the form with the original signature in Part 3 on the right side of the OPF, and return the other copy to the employee. Destroy the copy of the form with Part 2 completed.

If the employee fails to return the election form before the time limit expires, note on the form with Part 2 completed that the employee did not file a form with Part 3 completed, and file it on the right hand side of the OPF.

- (5) If the employee elects to retain coverage in CSRS, CSRS Offset, or FERS, place the *Notice of Civil Service Retirement Election* flag on the right side of the OPF. This flag will serve to alert subsequent employing NAF Components or civil service employers that the employee is covered by CSRS, CSRS Offset, or FERS and is excluded from coverage in a NAF retirement plan.

The Employee should:

- (1) Acknowledge receiving the form by signing Part 2 of one copy and returning it to the Human Resources Office.
- (2) Keep a copy of the form with only Part 1 completed.
- (3) Make a retirement coverage election by signing Option 1 or Option 2 in Part 3 of the form. Submit the election to the Human Resources Office by the Due Date shown in Part 1. If you fail to submit an election by the due date, you will be considered to have elected Option 2 in Part 3.

Appendix F

Compare Grid of Hi-3 Salary Replacement from

The Army NAF Retirement Plan

Vs.

The Federal Employees Retirement System

Compare Grid Example

Army NAF Defined Benefit Retirement Plan and FERS

Hi-3 Salary Replacement

Yrs Partic.	Army NAF	FERS
5	6.00%	5.00%
10	12.00%	10.00%
15	18.00%	15.00%
20	26.00%	20.00%
25	34.00%	27.50%
30	42.00%	33.00%
35	50.00%	38.50%
40	58.00%	44.00%
45	66.00%	49.50%
50	74.00%	55.00%

Example = If you elected to remain in NAF for 20 years, your retirement benefit would be 26% of your Hi-3 and if you participated in 401(k) at 4%, the employer would match you 3%

Versus

If you elected NOT to remain in NAF, but had participated for 3 Years, and you retired after 20 years federal service, you would Receive only your contributions from Army NAF and a 17 year Benefit from FERS, which would amount to 17% of your Hi-3

Salary, but you could receive up to 5% employer match i

*** You compare, which scenario is better for you***

Army NAF Defined Contribution 401(k) Savings Plan and TSP

Army NAF 401(k)		Thrift Savings	
Employee	Employer match	Employee	Employer match
1%	1%	1%	1%
2%	2%	2%	2%
3%	2.50%	3%	3%
4-100%	3%	4%	4%
		5-15%	5%

Appendix G
Sample Army NAF
Leave and Earnings Statement (LES)
DA Form 5352

Sample Army NAF Leave and Earnings Statement

NAF Employee remains participating in FERS with TSP

NONAPPROPRIATED FUNDS EARNINGS AND LEAVE STATEMENT

INSTL	WORK CENTER	SOC SEC NUMBER	DUAL	PAY PLAN	GR / BAND	STEP	HRLY RATE ASGD	SHIFT	SHIFT PD	RET CD	FLSA	LEAVE YEAR END	PAY PERIOD END																																																								
		XXX-XX-XXXX	0	NF	05	00	40.46	1	1	F	E		2005/08/1																																																								
LEAVE		EARNINGS				DEDUCTIONS																																																															
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PRIOR YR BALANCE	240.0	10.5	REG	80.0	3236.80	FEDTX	546.88	9517.00	RET	25.89	453.85	CUM	3854.3																																																								
ACCRD CUR	8.0	4.0	OT	.0	.00	OASDI	197.48	3476.42	401K/TSP	161.84	2836.56	MATCH	129.4																																																								
YTD	128.0	84.0	ND	.0	.00	MEDICARE	46.19	813.02	GL	23.66	414.68	CD	B-000																																																								
USED CUR	.0	.0	PREM			CHAR	.00	.00	MMO	51.56	923.92	CD	PP05 S12																																																								
YTD	44.5	58.5				ALMT 1			ORGN DUES	.00	.00	CD																																																									
CUR BAL	323.5	16.0				ALMT 2			STX 1	211.28	3712.35	CD	MD																																																								
USE/LOSE	163.5								STX 2			CD																																																									
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1							105.67		LOC 2			CD																																																									
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<div style="border: 1px solid black; padding: 5px; width: fit-content;"> FERS DEDUCTION SHOULD BE .8% OF GROSS PAY DIVIDE TSP CONT INTO GROSS PAY TO GET CORR. % \$161.84 / \$3236.80 = 5% </div>																																																																					
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